

SENATE FISCAL AGENCY MEMORANDUM

DATE: February 19, 2008

TO: Members of the Senate Appropriations Committee

FROM: Kathryn Summers-Coty, Chief Analyst

RE: 21st Century Schools Fund

During Gary Olson's presentation to the Senate Appropriations Committee on February 13, 2008, numerous questions were raised about the proposed 21st Century Schools Fund, appropriated at \$32.0 million in the Governor's recommended School Aid budget for fiscal year (FY) 2008-09. This memo serves to explain the proposal as it stands to date.

The FY 2008-09 Executive budget bill for School Aid included a new \$32.0 million appropriation for the 21st Century Schools Fund, with language also stating that the \$32.0 million appropriation would continue for 20 years. The ultimate goal of the program is to make available \$300 million to districts and intermediate districts (ISDs) for either small high school facilities or integrating small high school ideas into existing facilities (referred to as start-up funding).

Start-Up Grants

Eligible districts and eligible ISDs would be able to apply for start-up funding grants of up to \$2.0 million for each small high school proposed. Total start-up grants would be distributed in declining amounts over four years, as determined by the superintendent of public instruction, and would begin in the year prior to the small high school beginning operations. To be eligible for funding, a district would have to contain at least one high school building not making adequate yearly progress (AYP) for at least two years, and an ISD would have to apply for the purpose of establishing regional small schools that primarily serve students who would have attended high schools not making AYP. The grants would be restricted to the following purposes:

- Planning and implementation of site-based management
- Planning and implementation of high school curricula consistent with the credit requirements of the Michigan Merit Curriculum, and organized in accordance with career clusters
- Planning and implementation of early postsecondary opportunities for high school students that provide college or equivalent coursework
- Planning and implementation of teacher and administrative professional development leading to successful achievement in small high school environments

Facilities Grants

Eligible districts would be able to apply for facilities grants in one of two manners: 1) a grant of up to \$8.0 million if matched by private revenues, for the total costs of renovating or replacing an existing high school, or 2) annual millage equalization grants, not to exceed a total of 20

annual payments, where the combination of local voter-approved millage revenue and State equalization revenue yielded not more than the funding level necessary to build a \$16.0 million high school. The grant amount would be sufficient to ensure that the yearly combination of State and local millage revenue would yield the State average taxable value for FY 2006-07. Districts eligible to apply for this funding are the same group of districts eligible for start-up grants, with the additional restriction that the district has at least 800 pupils in grades 9-12 in FY 2007-08.

Technical Aspects

The State would not issue bonds until grant requests (whether start-up or facilities) exceeded \$32.0 million in a given fiscal year, and would simply pay cash out of the \$32.0 million appropriation. When the requests exceed the \$32.0 million appropriation in the School Aid Act, the Michigan Municipal Bond Authority would issue the bonds necessary to provide the requested funding, pledging as security the \$32.0 million appropriation via loan agreements with districts approved for the grants. In this manner, the bondholder would assume any risk involved, because the bonds would have "appropriation risk", with repayments dependent upon the dollars being appropriated.

Language in the proposal states that bonds issued would not constitute a general obligation or debt of a district or ISD. In addition, the proposal declares that the bonds issued would not be a debt or liability of the State, would not create or constitute indebtedness, liability, or obligation, and would not constitute a pledge of the faith and credit of the State. The proposal would have the State pay off its obligations within 20 years, with a cost of \$640.0 million over the life of the program.

Eligible districts and ISDs would apply for grants to the superintendent of public instruction. The superintendent is charged with awarding the grants, both start-up and facility, and no ranking criteria were included in the proposal. In other words, the superintendent would have sole discretion over the awarding of grants.

A list of districts and ISDs eligible for funding under this proposal is attached. If you have any questions on this issue, please do not hesitate to call at 3-2768.

/wm

c: Gary S. Olson, Director
Ellen Jeffries, Deputy Director

ELIGIBLE DISTRICTS FOR SMALL HIGH SCHOOL GRANTS

District Code	Districts with at least one high school not making AYP for 2 or more years	FY08 Est. High School Pupils including Alt Ed	FY07 Total Taxable Value Per Pupil	Eligible for Start-Up Grants	Eligible for Facility Matching Grants: At least 800 H.S. Pupils	Could Benefit from Millage Equalization Grants: At least 800 H.S. pupils & less than state average taxable value per pupil (\$214,000) in FY07
03030	Allegan Public Schools	918	\$167,846	▲	▲	▲
04010	Alpena Public Schools	1,572	\$210,507	▲	▲	▲
09010	Bay City School District	3,116	\$181,729	▲	▲	▲
11010	Benton Harbor Area Schools	1,100	\$170,604	▲	▲	▲
11160	Galien Township School District	89	\$410,694	▲		
11300	Niles Community School District	1,179	\$129,461	▲	▲	▲
12010	Coldwater Community Schools	1,027	\$223,312	▲	▲	
13010	Albion Public Schools	425	\$134,666	▲		
13020	Battle Creek Public Schools	2,000	\$102,788	▲	▲	▲
13110	Marshall Public Schools	890	\$172,132	▲	▲	▲
15020	Boyne City Public Schools	431	\$391,633	▲		
16015	Cheboygan Area Schools	796	\$239,377	▲		
17010	Sault Ste. Marie Area Schools	950	\$168,119	▲	▲	▲
18020	Farwell Area Schools	471	\$251,832	▲		
18060	Harrison Community Schools	566	\$189,440	▲		
19140	St. Johns Public Schools	1,133	\$174,394	▲	▲	▲
23030	Charlotte Public Schools	1,093	\$150,249	▲	▲	▲
23050	Eaton Rapids Public Schools	1,027	\$153,951	▲	▲	▲
23060	Grand Ledge Public Schools	1,775	\$228,128	▲	▲	
23065	Maple Valley Schools	559	\$101,106	▲		
25010	Flint City School District	4,982	\$89,734	▲	▲	▲
25040	Mt. Morris Consolidated Schools	1,543	\$73,762	▲	▲	▲
25060	Bendle Public Schools	706	\$67,795	▲		
25110	Kearsley Community Schools	1,395	\$104,048	▲	▲	▲
25140	Davison Community Schools	1,653	\$155,967	▲	▲	▲
25150	Clio Area School District	1,154	\$143,855	▲	▲	▲
25180	Swartz Creek Community Schools	1,344	\$233,627	▲	▲	
25240	Beecher Community School District	648	\$48,883	▲		
25280	Lakeville Community Schools	655	\$166,005	▲		
26010	Beaverton Rural Schools	474	\$205,287	▲		
26040	Gladwin Community Schools	650	\$228,625	▲		
28010	Traverse City Area Public Schools	3,657	\$346,242	▲	▲	
29010	Alma Public Schools	767	\$115,660	▲		
29020	Ashley Community Schools	118	\$96,217	▲		
29040	Breckenridge Community Schools	314	\$133,045	▲		
30030	Jonesville Community Schools	458	\$122,941	▲		
33020	Lansing Public School District	4,075	\$163,877	▲	▲	▲
33060	Haslett Public Schools	1,055	\$184,834	▲	▲	▲
33070	Holt Public Schools	1,988	\$134,019	▲	▲	▲
33220	Webberville Community Schools	208	\$167,580	▲		
34010	Ionia Public Schools	993	\$106,860	▲	▲	▲
34080	Belding Area School District	747	\$121,799	▲		
34090	Lakewood Public Schools	756	\$151,659	▲		
37010	Mt. Pleasant City School District	1,423	\$201,658	▲	▲	▲
38010	Western School District	970	\$118,009	▲	▲	▲
38040	Columbia School District	641	\$298,271	▲		
38130	Napoleon Community Schools	531	\$158,787	▲		
38140	Northwest Community Schools	1,073	\$168,849	▲	▲	▲
38170	Jackson Public Schools	1,952	\$196,088	▲	▲	▲
39010	Kalamazoo Public School District	2,961	\$218,617	▲	▲	
39030	Comstock Public Schools	835	\$183,798	▲	▲	▲
39130	Parchment School District	626	\$111,604	▲		
39140	Portage Public Schools	2,845	\$245,669	▲	▲	
40040	Kalkaska Public Schools	531	\$323,167	▲		
41010	Grand Rapids Public Schools	4,995	\$187,164	▲	▲	▲
41020	Godwin Heights Public Schools	953	\$198,285	▲	▲	▲
41025	Northview Public School District	1,294	\$167,226	▲	▲	▲

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41026	Wyoming Public Schools	1,903	\$166,983	▲	▲	▲
41070	Cedar Springs Public Schools	1,068	\$141,098	▲	▲	▲
41080	Comstock Park Public Schools	817	\$146,964	▲	▲	▲
41120	Godfrey-Lee Public Schools	557	\$77,616	▲		
41130	Grandville Public Schools	1,937	\$224,807	▲	▲	
41140	Kelloggsville Public Schools	711	\$173,713	▲		
41160	Kentwood Public Schools	2,764	\$235,686	▲	▲	
41170	Lowell Area Schools	1,340	\$176,459	▲	▲	▲
43040	Baldwin Community Schools	162	\$503,778	▲		
44010	Lapeer Community Schools	2,435	\$198,441	▲	▲	▲
46010	Adrian City School District	1,122	\$191,772	▲	▲	▲
47060	Hartland Consolidated Schools	1,853	\$207,782	▲	▲	▲
50020	East Detroit Public Schools	1,654	\$155,258	▲	▲	▲
50030	Roseville Community Schools	2,029	\$191,199	▲	▲	▲
50040	Anchor Bay School District	1,974	\$189,134	▲	▲	▲
50070	Clintondale Community Schools	1,879	\$114,554	▲	▲	▲
50080	Chippewa Valley Schools	4,692	\$238,718	▲	▲	
50090	Fitzgerald Public Schools	1,169	\$212,385	▲	▲	▲
50160	Mt. Clemens Community School District	619	\$211,448	▲		
50170	New Haven Community Schools	409	\$357,833	▲		
50210	Utica Community Schools	9,337	\$253,554	▲	▲	
50220	Van Dyke Public Schools	1,066	\$143,004	▲	▲	▲
50230	Warren Consolidated Schools	5,198	\$285,681	▲	▲	
50240	Warren Woods Public Schools	1,225	\$198,424	▲	▲	▲
54010	Big Rapids Public Schools	695	\$193,569	▲		
54040	Morley Stanwood Community Schools	498	\$131,715	▲		
58010	Monroe Public Schools	2,126	\$269,702	▲	▲	
58020	Airport Community School District	1,027	\$196,260	▲	▲	▲
58030	Bedford Public Schools	1,718	\$191,833	▲	▲	▲
58050	Dundee Community Schools	525	\$198,533	▲		
58080	Jefferson Schools (Monroe)	771	\$400,728	▲		
61010	Muskegon City School District	1,607	\$103,155	▲	▲	▲
61020	Muskegon Heights School District	583	\$60,144	▲		
61220	Reeths-Puffer Schools	1,252	\$142,033	▲	▲	▲
62040	Fremont Public School District	785	\$151,036	▲		
62070	Newaygo Public School District	718	\$151,066	▲		
63010	Birmingham City School District	2,542	\$583,474	▲	▲	
63020	Ferndale Public Schools	2,433	\$179,286	▲	▲	▲
63030	Pontiac City School District	2,269	\$417,210	▲	▲	
63050	Berkley School District	1,437	\$218,323	▲	▲	
63060	Southfield Public School District	3,324	\$365,309	▲	▲	
63140	Madison Public Schools (Oakland)	734	\$184,419	▲		
63150	Troy School District	4,109	\$356,819	▲	▲	
63160	West Bloomfield School District	2,004	\$301,826	▲	▲	
63180	Brandon School District	1,232	\$169,169	▲	▲	▲
63190	Clarkston Community School District	2,598	\$256,815	▲	▲	
63220	Huron Valley Schools	3,401	\$256,338	▲	▲	
63230	Lake Orion Community Schools	2,383	\$261,705	▲	▲	
63240	South Lyon Community Schools	2,065	\$258,434	▲	▲	
63290	Walled Lake Consolidated Schools	5,018	\$327,975	▲	▲	
64080	Shelby Public Schools	628	\$150,555	▲		
68030	Fairview Area School District	107	\$442,439	▲		
69020	Gaylord Community Schools	1,089	\$275,627	▲	▲	
70010	Grand Haven Area Public Schools	1,936	\$334,471	▲	▲	
70020	Holland City School District	1,336	\$267,403	▲	▲	
70040	Allendale Public School District	635	\$138,164	▲		
73010	Saginaw City School District	2,274	\$92,233	▲	▲	▲

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73040	Saginaw Township Community Schools	1,844	\$250,011	▲	▲	
73080	Buena Vista School District	307	\$193,316	▲		
73180	Bridgeport-Spaulling Community School District	609	\$125,534	▲		
74010	Port Huron Area School District	3,278	\$166,322	▲	▲	▲
74050	East China School District	1,948	\$326,857	▲	▲	
79150	Vassar Public Schools	805	\$109,362	▲	▲	▲
80040	Covert Public Schools	230	\$735,015	▲		
80050	Decatur Public Schools	336	\$113,467	▲		
80160	Paw Paw Public School District	772	\$159,272	▲		
81010	Ann Arbor Public Schools	5,556	\$437,113	▲	▲	
81020	School District of Ypsilanti	1,163	\$241,394	▲	▲	
81070	Lincoln Consolidated School District	1,508	\$185,943	▲	▲	▲
81150	Willow Run Community Schools	618	\$171,276	▲		
82010	Detroit City School District	30,233	\$76,321	▲	▲	▲
82020	Allen Park Public Schools	1,330	\$154,550	▲	▲	▲
82030	Dearborn City School District	5,478	\$250,560	▲	▲	
82050	Garden City School District	1,727	\$127,827	▲	▲	▲
82060	Hamtramck Public Schools	977	\$64,771	▲	▲	▲
82070	Highland Park City Schools	2,399	\$49,586	▲	▲	▲
82080	School District of the City of Inkster	1,053	\$76,212	▲	▲	▲
82090	Lincoln Park Public Schools	1,406	\$145,854	▲	▲	▲
82100	Plymouth-Canton Community Schools	5,870	\$316,226	▲	▲	
82110	Redford Union School District	1,238	\$139,603	▲	▲	▲
82120	River Rouge School District	336	\$225,636	▲		
82150	Taylor School District	3,140	\$171,803	▲	▲	▲
82240	Westwood Community Schools	712	\$130,316	▲		
82250	Ecorse Public School District	404	\$214,637	▲		
82290	Gibraltar School District	1,128	\$221,177	▲	▲	
82405	Southgate Community School District	1,939	\$161,180	▲	▲	▲
83010	Cadillac Area Public Schools	1,038	\$200,192	▲	▲	▲